



DEPARTMENT OF THE TREASURY
INTERNAL REVENUE SERVICE
WASHINGTON, D.C. 20224

SMALL BUSINESS / SELF-EMPLOYED DIVISION

February 2, 2009

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MEMORANDUM FOR DIRECTORS, COLLECTION AREA OFFICES
(GULF STATES)
(SOUTH ATLANTIC)
(CALIFORNIA)
DIRECTORS, CAMPUS COMPLIANCE OPERATIONS
(BROOKHAVEN)
(MEMPHIS)

FROM: Frederick W. Schindler /s/ Laura Hostelley (*for*)
Director, Collection Policy

SUBJECT: Interim Guidance for Low Income Processability Procedures

The purpose of this memorandum is to issue interim guidance for offer in compromise (OIC) low income processability procedures. Please ensure this information is distributed to all affected employees within your organization. These guidelines are effective for all offers received after February 9, 2009.

Current IRM procedures require any offer in compromise received without the Form 656-A, Income Certification for Offer in Compromise Application Fee and Payment, and without the application fee and/or the required TIPRA payment to be returned as not processable, regardless of the income reported on the Form 433-A, Collection Information Statement.

The revised procedures will require a review of the Form 433-A on any offer that is received without a Form 656-A and meets the following criteria:

- No application fee **or** no TIPRA payment,
- No application fee **and** no TIPRA payment,
- Less than the required TIPRA payment **and/or** application fee

If, based upon the review, the offer meets IRS Low Income Guidelines as defined in Form 656, the offer will be considered processable and will be treated as if the Form 656-A had been included with the OIC.

Procedures

(1) Upon receipt of an offer the only processability criteria that will need to be checked is bankruptcy. If the taxpayer is in bankruptcy, the offer will be returned as not processable.

(2) Any payments received with the Form 656 will be posted to the taxpayer's liability(s) using RS-PCC.

(3) A review of all offers will be conducted to identify if the case meets waiver criteria and will be based solely on the financial information provided by the taxpayer on the Form 433-A.

(4) The following Form 433-A information will be used to make a determination of eligibility for the low income waiver:

Form 433-A (Rev 5-2001)

- Section 1 *Personal Information*: Determine the total number of dependents claimed using Lines 2 and 6.
- Section 9 *Monthly Income and Expense Analysis*: Determine the monthly household income listed on Line 34 (Total Income)

Form 433-A (Rev.1-2008)

- Section 1 *Personal Information*: Determine the total number of dependents claimed using Lines 2b, 3a, and 3b.
- Section 4 *Personal Asset Information for All Individuals*: Determine the monthly household income listed on Line 32 (Gross Monthly Income).

Use the IRS Low Income Guidelines below to determine if the taxpayer’s monthly income qualifies for waiver of the application fee and required TIPRA payment(s):

Size of Family Unit	48 Contiguous States and D.C.	Hawaii	Alaska
1	\$2,042	\$2,348	\$2,552
2	\$2,750	\$3,163	\$3,438
3	\$3,458	\$3,977	\$4,323
4	\$4,167	\$4,792	\$5,208
5	\$4,875	\$5,606	\$6,094
6	\$5,583	\$6,421	\$6,979
7	\$6,292	\$7,235	\$7,865
8	\$7,000	\$8,050	\$8,750
For each additional person add	\$708	\$815	\$885

(4) If the information provided on the F433-A is insufficient to determine the taxpayer meets low income waiver criteria, return the offer as not processable. Follow procedures as defined in IRM 5.8.3.

(5) Once a determination has been made, follow the If/Then chart below to process the offer.

If...	Then...
The taxpayer qualifies for the waiver	Document the AOIC history and continue processing the offer per IRM 5.8.3. Update the OCC code on AOIC to “4”.
The taxpayer does not qualify for the waiver	Document the AOIC history. Return the offer as not-processable. Change the processability code to “N”. Follow the procedures in IRM 5.8.3.

If you have questions, please contact me or a member of your staff may contact Diane Morris. Territory personnel should direct any questions, through their management staff to the appropriate Area contact.

cc: National Taxpayer Advocate